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## **City of Reading City Council**

### **Special Meeting**

**Thursday, December 4, 2008**

### **Council Chambers**

Vaughn D. Spencer, President of Council, called the special meeting to order.

### **ATTENDANCE**

Council President Spencer  
Councilor Fuhs, District 1  
Councilor Goodman-Hinnershitz, District 2  
Councilor Marmarou, District 4  
Councilor Maria Baez, District 5  
Councilor Waltman, District 6

City Solicitor, C. Younger  
City Clerk, L Kelleher  
Mayor, T. McMahon  
Managing Director, R. Hottenstein  
City Auditor, D. Cituk  
Deputy City Clerk, M. Katzenmoyer

### **PURPOSE**

Council President Spencer announced that the purpose of the meeting is to consider the enactment of the 2009 General Fund Budget, consider the override of the Mayor's veto of Bill 78-2008 the property tax levy and other related issues if needed

### **PUBLIC COMMENT**

Council President Spencer announced that three citizens are registered to address Council at the special meeting. He announced that all three citizens are registered to address Council about the Budget. He reminded those registered of the public speaking rules.

**Paulette Williams** – of Spruce Street, asked the Mayor why he is again placing the City's financial burden on the property owners alone. She asked City Council why they would pass a property tax and not an earned income tax, as earned income tax is paid by property owners and renters. She expressed the belief that the police and recreation programs should not be cut. She suggested that the City form an Advisory Committee similar to that used by the school district several years ago to study the City's financial issues and obtain recommendations. She stated that the School District's Advisory Committee was composed of a broad scale of business people and tax payers who worked to develop a plan that has worked successfully for the school district. She expressed the belief that the Mayor and City Council do not work together and noted the importance of team work between the two bodies. She also expressed the belief that the Mayor's desire to seek court action on the budget is ludicrous. She suggested the Mayor's attitude is not part of the solution but part of the problem.

**Ernest Schlegel** – of Pear Street, referenced the Reading Eagle article on December 3<sup>rd</sup> stating the Administration's proposal to cut police patrol and recreation if City Council refuses to pass the proposed tax ordinances. He expressed the belief that if the City collected the fees currently outstanding it could cover such services. He stated that although last year's statistics show a drop in the City's crime rate recent criminal activity shows the need to retain the current level of manning in the police department. He stated that the Administration's position is irresponsible. He stated that tough time require strong leadership and he expressed the belief that the Administration lacks leadership.

**Jennaro Pullano** – of Blair Avenue, stated that he is relieved that fellow residents also oppose the Administration's proposal to cut police and recreation services. He expressed the belief that the Administration's proposal is outrageous. He inquired why the City has not moved to a 2 tier tax model which encourages reinvestment in the City. He noted the success of the 2 tier tax application in cities like Allentown. He stated that during tough economic times citizens and businesses reduce spending and suggested the Administration consider reducing their operational costs before proposing the large tax hike that is currently on the table. He expressed the belief that fund raising activities could be used to cover the cost of services for the library and recreation. He noted the need for the City to seek reimbursement from the Sovereign Center to cover the cost of event coverage. He also suggested implementing an annual fee that would charge property owners for street parking. He suggested that cracking down on illegal landlords could result in collection of revenues that would negate the need for a property tax increase.

## **APPROVAL OF AGENDA AND MINUTES**

Council President Spencer called Council's attention to the agenda for this special meeting. He inquired if any member of Council was opposed to the agenda listing the override of the veto for Bill 78-2008 and the enactment of Bill 75-2008 2009 General Fund Budget. As no one objected to the items listed on the agenda, the agenda is deemed approved.

## **ORDINANCES FOR FINAL PASSAGE**

**Bill No 78-2008 – override of the veto**

**Councilor Fuhs moved, seconded by Councilor Goodman-Hinnershitz to override the veto of Bill 78-2008.**

Council President Spencer explained that the Regular Meeting on November 24<sup>th</sup> City Council adopted Bill 78-2008, which increased the Real Estate Tax to .011445%. He stated that the Mayor vetoed this Ordinance and issued an explanation stating that absent the passage of an increase in the Home Rule earned income tax rate as proposed revenues will be insufficient to sustain services.

Councilor Waltman and Councilor Goodman-Hinnershitz noted that overriding the veto will not set a new property tax rate. City Clerk Kelleher agreed stating that if this ordinance is not overridden City Council must introduce a new property tax ordinance at the December 8<sup>th</sup> meeting. She explained that the property tax rate is set for the calendar year and expires December 31<sup>st</sup> 2008. If Council does not introduce and pass a new property tax rate by December 31<sup>st</sup> the Administration will have not have property tax revenue throughout the 2009 calendar year.

Councilor Fuhs noted his agreement with the statement made by Ms. Williams and announced that he will support the override.

City Solicitor Younger suggested that Council introduce an ordinance to override the veto. City Clerk Kelleher explained that the Home Rule Charter requires a veto to be considered at the next meeting of Council. The ordinance procedure, also mandated by the charter, would conflict with the veto procedure. She stated that in the past Council has handled overrides using a motion.

City Solicitor withdrew his suggestion for the use of an ordinance and expressed his agreement with the use of a motion to override the veto.

Council President Spencer noted that the Administration's original proposal would increase property taxes by 23%. He stated that this type of property tax increase is prohibited by the Charter. He noted Council's support for a 5% increase which is permitted under the Home Rule Charter.

Councilor Fuhs noted the need to have a super majority to override a veto. He inquired if the super majority is made up of the number present.

City Solicitor Younger and City Clerk Kelleher stated that Charter states that a super majority is five members of Council and not a super majority of those present.

Mayor McMahon stated that he does not want to reduce police services and objects to Council's proposal to reduce expenditures 4% across the board. He expressed the belief that property owners obtained relief from the property tax relief on their school taxes under the Homestead Act, which justifies the 23% increase of the City's property taxes. He expressed the belief that an average home owner can afford a 23% property tax increase. He stated that the average property owner received a \$1,000 break annually and that justifies the increase on the City's side. He noted the escalating cost of providing public services.

Councilor Waltman stated that the Administration at the Budget Summit in May 2008 proposed a 50% tax hike. He stated that every member of

Council expressed their opposition to this proposal. He stated that throughout the summer members of Council stated that they would not approve any property tax increase higher than that allowed by the Charter. He stated that although the Administration intends to seek court approval for a tax hike above 5%, the Administration will still need City Council, the legislative body, to approve the tax levy. He stated that without Council support for the Administration's proposed tax hike a revenue gap will be created which will require expenditure reductions.

Council President Spencer explained the motion to override the veto of Bill 78-2008 and noted the need for a super majority of Council to vote in favor of the override.

**The motion to override the veto of Bill 78-2008, increasing the property rate for 2009 to .0114445% was not adopted by the following vote.**

**Yea – Baez, Fuhs, Marmarou – 3**

**Nays – Goodman-Hinnershitz, Waltman, Spencer, President – 3**

Ms. Kelleher announced that as the motion did not carry, the veto stands.

**Bill No 75-2008** – Establishing the General Fund Budget for the City of Reading including revenues and expenses for the fiscal year beginning January, 1 2009 and ending December 31, 2009 with amendment  
***Introduced at the October 1 Special Meeting; Public Hearing October 22***

**Councilor Waltman moved, seconded by Councilor Fuhs, to enact Bill 75-2008.**

**Councilor Waltman moved, seconded by Councilor Fuhs, to adopt amendments to the 2009 General Fund Budget necessitated by the veto of Bill 78-2008.**

Councilor Waltman explained that these final amendments adjust revenue and expenditures to balance the Budget without an increase in earned income taxes and override of the property tax levy.

City Solicitor Younger inquired if these amendments are new or previously introduced.

Councilor Waltman stated that only some of the amendments are new as adjustments were needed to go along with the Mayoral veto of Bill 78-2008. He noted the Charter language on amendments to the budget adding that in prior years Council made financial changes and adjustments at the meeting where the budget was enacted.

Councilor Waltman explained the required adjustments to the Parking Authority revenue and the property tax revenue line items. He stated that expenditure reductions at 4% across the Board, except for debt service, will balance the budget.

Councilor Goodman-Hinnershitz questioned the increase in Parking Authority revenue.

Councilor Waltman stated that this amendment will return the Parking Authority revenue line item to the \$1.4 million originally proposed by the Administration.

Councilor Goodman-Hinnershitz noted her difficulty in approving a budget listing revenues that may not be collected by the Administration.

Managing Director Hottenstein stated his lack of understanding with the amendments proposed by Council. He expressed the belief that the amendments proposed are unrealistic and undoable.

Councilor Waltman noted that over the past 4-6 weeks the body of Council has expressed their opposition to the property tax and EIT increases proposed by the Administration. Over the past 4-6 weeks the body of Council has asked the Administration to bring back responsible amendments. He stated that the Administration has had sufficient time to make reasonable and responsible reduction proposals.

Mayor McMahon stated that 4% reduction suggested by Council is equal to eight police officers. He stated that if Council would support the two proposed tax increases the Administration would have the ability to look at City operations and make responsible decisions. He noted his understanding of the difficulty in accepting the increases proposed but noted the increases are necessitated through untouchable areas such as collective bargaining agreements.

Council President Spencer replied that the body of Council throughout the budget process expressed their opposition to the proposed hikes

which gave the Administration ample time to make responsible reductions. He noted that the situation in Reading is no different than the problems facing all cities throughout the Commonwealth. He stated as the body of Council told the Administration repeatedly that they would not accept the proposed tax increases which gave the Administration ample time to react responsibly and prevented the need for Council to make the amendments proposed this evening. He stated that the Administration's refusal to accept City Council's opposition to the tax hikes created the need for these amendments and creates an atmosphere which has been called micromanagement in the past.

Council President Spencer noted that PEL reports over the last 10-12 years have warned of this situation. Throughout the years the Administration has been able to avoid this situation due to one time fixes. He stated that for at least three years he and members of Council have continually and publicly noted their concerns with the City's structural deficit.

Mayor McMahon agreed that the problems are widespread across Pennsylvania. He noted the deficit in Real Estate Transfer Tax collections. He described his work to free \$200 million in Johnstown tax revenues to assist cities having a certain percentage of non taxable properties. He suggested that Council review and consider a County wide sales tax which can be used to decrease stress on municipalities.

**The amendments to the 2009 General Fund Budget necessitated by the veto of Bill 78-2008 were adopted by the following vote.**

**Yea – Baez, Fuhs, Marmarou, Waltman, Spencer, President – 5  
Nays – Goodman-Hinnershitz – 1**

**Councilor Waltman moved, seconded by Councilor Fuhs, to enact Bill 75-2008 the 2009 General Fund Budget as amended.**

Councilor Goodman-Hinnershitz stated that she is concerned with the proposed amendments due to the lack of clarity. She stated that it is unfortunate that there is not sufficient time to have productive dialog with the Administration. She stated that she will not support the budget as amended.

Councilor Fuhs stated that throughout the years City Council has made various suggestions to the Administration that would reduce costs. For example; over the past few years City Council has repeatedly requested that the Administration eliminate take home vehicles. The administration has refused to consider eliminating take home vehicles. He also noted Council's discussion with the Administration on freezing management salary increases and reducing or eliminating expenditures such as travel

and subscriptions. He noted that a recent Reading Eagle suggests that Council make line item reductions which is contrary to the Reading Eagle's repeated claims that Council is micromanaging the Administration. He stated that the Administration's proposal for a 23% property tax hike is irresponsible and unrealistic. He noted the irresponsible attitude of the Administration as they have refused to make reductions that support Council's unwillingness to approve the proposed tax hikes.

Councilor Waltman expressed the belief that after the enactment of this budget the Administration can propose future amendments to make corrections as needed. He expressed the belief that the 4% reduction across the board proposed this evening is merely a celebration that the Administration should be able to handle and react to without eliminating police patrol. He again noted the Administration's ability to make amendments to the budget throughout the 2009 calendar year.

Councilor Waltman expressed the belief that reducing expenditures and operational costs has been ignored by the Administration for years. He stated that if the Administration had been acting responsibly and making adjustments year by year this situation could have been avoided. He noted the PEL predictions about looming financial difficulties for the City. He noted the Administration's ignorance of Council's position on the proposed tax hike since October 1<sup>st</sup>.

Councilor Waltman noted Council's tireless work to make the Administration correct their mismanagement of the housing permit process. He noted the Administration's mismanagement of this process is proven by the approval of only six to seven hundred housing permits. He stated that this year of the housing permit has yielded poor results and mismanagement.

Council President Spencer noted Council's repeated statement that the Administration cannot cut or tax their way out of this financial problem. He again stated that over two years ago he and members of Council began asking the Administration to begin to address the City's structural deficit; however, these requests fell on deaf ears. Council President Spencer also noted the need for a long term financial plan that considers the City's structural deficit.

Council President Spencer stated that we are nearing a time where residents need to consider and understand the cost to live in the City of Reading. He noted the need for the Administration to suggest steps that will cure the problem. He also noted the need for the Administration and



Council to define core public services. He stated that he and the body of Council have grown tired of the ignorance of the administration.

Managing Director Hottenstein stated that the Administration is aware of Council's request for additional reductions. He stated that the Administration has accepted the lack of support for tax increases; however, they are unable to find reductions other than those proposed.

Managing Director Hottenstein noted the Four Step Plan proposed to Council and the citizens since May 2008. He stated that the Administration has successfully implemented three of those steps; however Council's refusal to increase the proposed property tax and EIT rates requires an additional \$1.9 million in budget reductions and service cuts.

Councilor Waltman noted that the Administration's Four Step Plan outlined at the May Budget Summit included a 50% property tax hike. Mayor McMahon objected stating that he did not suggest or propose such a tax hike. Councilor Waltman countered that the 50% tax hike was reduced to a 23% tax hike and included in the Administration's original budget proposal. He stated that City residents cannot afford that type of increase. He stated that reality requires cut backs. He expressed the belief that good management and good leadership should enable the Administration to apply a 4% across the board reduction.

Mayor McMahon requested that Council vote on the Budget ordinance as he needed to leave the meeting due to another engagement.

Mayor McMahon noted the cost of labor. Police, Fire and AFSCME salary increases will increase labor costs by 4% through the 2009 calendar year. He stated that the 23% tax hikes will only cost approximately \$100 per year to someone in living in a \$50,000 home. He expressed the belief that \$100 per year is entirely affordable. He noted the need for training employees and the minimal cost overall. He questioned Councilor Fuhs suggestion to reduce travel and training and eliminate the ability of employees to receive proper training.

Councilor Fuhs explained that he was merely pointing out that various soft costs exist in the 2009 budget; noting that the existence of soft cost suggests larger issues that are not being handled properly.

Councilor Goodman-Hinnershitz noted the retreat held last year where Council defined their priorities. She noted that unfortunately the Mayor did not attend this session. She stated that the retreat two years ago led to good communication between Managing Director Churchill and

Council. She state that unfortunately this good communication has not continued. She stated that healthy communication leads to a trust between Council and the Administration which would solve the problems discussed this evening. She stated that healthy communities need libraries and recreation services. She noted the need for Council and the Administration to have healthy discussion on the continuation of these services. She stated that healthy discussions builds trust between the bodies.

Council President countered that trust is not the issue. He stated that the two bodies are seeking different results. He stated that the Administration's lack of responsible behavior with the 2009 budget will increase the problems as Council and Administration consider the 2010 budget.

Mayor McMahon agreed and noted some potential problems for the 2010 budget. He noted the cyclical swing of the economy. He asked City Council to define their Priorities. He stated that he and City Council both serve the tax payers. He asked City Council to consider the effect of their decisions on the tax payers.

Councilor Waltman stated that all Council and the tax payers have seen over the past four weeks is the unwillingness of the Administration to accept Council's position on the proposed tax increases. He asked that the Administration bring forward responsible budget amendments.

Mayor McMahon stated that he and the Administration will consider budget amendments. He asked that Council consider the enactment of the ordinance as he needed to leave to attend another event.

**Bill 75-2008 the 2009 General Fund Budget as amended was adopted by the following vote.**

**Yea – Baez, Fuhs, Waltman, Spencer, President – 4**

**Nays – Goodman-Hinnershitz, Marmarou - 2**

Council President Spencer inquired if the body wished to address other business. No further business was brought to the table.

Councilor Marmarou moved, seconded by Councilor Fuhs, to adjourn to Special Meeting of Council.

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Linda Kelleher  
City Clerk